


THE GREEN TOOL KIT

TENNESSEE DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT



Tennessee has established many forward-thinking business incentives specifically for the renewable energy sector, such as:



The Green Energy Tax Credit

As part of a comprehensive energy strategy, Tennessee offers certified green energy supply chain manufacturers and campus affiliates, integrated customers and integrated suppliers of certified green energy supply chain manufacturers a Green Energy Tax Credit against the total F&E liability. A “certified green energy supply chain manufacturer” means any manufacturer that has made, during the investment period, a required capital investment in excess of \$250 million in a facility certified by the State to be a facility engaged in manufacturing a product that is necessary for the production of green energy. The Green Energy Tax Credit is equal to the amount by which the charge for electricity sold to the green energy supply chain manufacturer, campus affiliate, integrated customer or integrated supplier exceeds the charge that would have been made for such total delivered electricity if the maximum certified rate had been applied during the applicable year. To the extent that any amount allowed as a credit for any tax year exceeds the combined F&E liability, the amount of excess will be deemed as an overpayment of tax and will be refunded to the taxpayer. The Tennessee Valley Authority (TVA) has agreed to supply necessary information to the Commissioner of Revenue to determine the amount of the credit.



Carbon Charge Tax Credit

A certified green energy supply chain manufacturer and any campus affiliates are eligible for a credit against their total F&E liability in an amount equal to any carbon charges incurred by or imposed directly on the certified green energy supply chain manufacturer or campus affiliate or imposed on the TVA or energy supplier and billed on a certified manufacturer’s or campus affiliate’s energy bill. Any tax credit that cannot be used to benefit a certified manufacturer or campus affiliate during the applicable tax year may be returned to the taxpayer in the form of a cash overpayment. TVA has agreed to supply necessary information to the Commissioner of Revenue to verify the amount of the credit.




Pollution Control Equipment Tax Credit

If a manufacturer obtains a certificate from the Tennessee Department of Environment and Conservation certifying that the company’s purchase of pollution control equipment is necessary to comply with state, federal or local law and the equipment will result in the reduction of pollution in the water or air or the elimination of hazardous wastes, the equipment will be taxed at salvage value for the purposes of calculating local tangible personal property tax. The certificate will also exempt the equipment from all sales and use tax and allow the company to exclude it from the company’s franchise tax base.



Incentives for Clean Energy Technology

In 2010, Tennessee enacted legislation that allows machinery and equipment used for the production of electricity using clean energy technology to be treated the same as pollution control equipment for sales tax, F&E tax and property tax purposes. Clean energy technology means technology used to generate energy from geothermal, hydrogen, solar and wind sources.



Emerging Industry Tax Credit

The Tennessee Clean Energy Future Act of 2009 made the clean energy technology sector eligible for a sales and use tax credit for emerging industry. This sales and use tax credit is available to taxpayers that establish a qualified facility to support an emerging industry in Tennessee with a minimum capital investment of \$100 million and the creation of at least 50 new full-time jobs paying 150% of Tennessee’s average occupational wage. The credit is equal to 6.5% of the 7% state sales and use tax paid to Tennessee on the purchase or use of qualified tangible personal property. See page 17 for more information.





Green Island Biofuel Corridor Infrastructure Grant

Administered by the Tennessee Department of Transportation (TDOT), this program assists retail vehicle fuel stations and farm co-ops with up to 80% of the costs to convert or install storage and fuel dispensing equipment for E85 and B20 pumps, with a cap of \$45,000 per pump. TDOT advertises biofuels station locations on the Official State Map and provides the option of interstate signage at exits with participating biofuels stations. This program is working to establish a statewide network of E85 and B20 pumps along interstate and major highway corridors to make these fuels available to citizens, travelers and fleets.



Tennessee Energy Loan Program

This revolving loan program assists eligible Tennessee for-profit businesses, non-profit organizations, private institutions of higher education and/or units of local and county governments in becoming more energy efficient through the identification, purchase and installation of approved energy efficiency and clean energy technology systems.



Reduced Tax on Electricity

Tennessee offers a reduced sales tax rate on manufacturers' use of energy fuels and water (1.5% instead of 7%).



Volunteer State Solar Initiative

Governor Phil Bredesen has established the Volunteer State Solar Initiative with \$62 million in federal Recovery Act funds to support job creation and advance education, research and renewable power production. This approach will stimulate economic growth in the short term, while positioning Tennessee to take a leadership position in the growing solar industry.

Two key generators of economic growth are included in the Initiative: the Tennessee Solar Institute at the University of Tennessee and Oak Ridge National Lab and the West Tennessee Solar Farm near Brownsville, Tenn.

The Tennessee Solar Institute

The Institute is a center for excellence spurring accelerated growth in the solar industry and serving as a crossroads for a wide range of solar-related activities. To accomplish its objectives, the institute is bringing together scientists, engineers and technical experts with business leaders, policymakers and industry workers to help speed the improvement and deployment of solar photovoltaic (PV) technology and commercialization. The institute has also created a "Solar Opportunity Fund" to underwrite solar grants that include:

- Innovation Grants – To encourage the growth of Tennessee's solar industry by providing funds to the state's solar industry firms for technical assistance, facility or process improvements and workforce development.
- Installation Grants – To speed the deployment of solar energy statewide through grants to businesses for funding the purchase and installation of small-scale solar photovoltaic systems.

The West Tennessee Solar Farm

The Solar Farm will be a five-megawatt 20-acre power generation facility in Haywood County that will be one of the largest installations in the Southeast and serve as an educational demonstration tool.



For more information about the Volunteer State Solar Initiative or any of ECD's energy-related programs, call (615) 741-2994 or (800) 342-1340.

Under the leadership of Governor Phil Bredesen,

Tennessee has gained a worldwide reputation as a clean energy hub and an emerging force in the U.S. solar industry. In fact, Hemlock Semiconductor Corporation and Wacker Chemie, the world's number one and number two producers of polycrystalline silicon, have decided to call Tennessee home, investing more than \$2.2 billion in the state and creating 1,000 new jobs.

These investments join a number of Tennessee companies in the solar value chain, including AGC Flat Glass in Kingsport, Sharp in Memphis, Shoals Technologies in Gallatin and Confluence Solar in Clinton.

Along with a burgeoning solar industry, Tennessee has a diverse portfolio of renewable energy companies in the wind, biofuels and electric vehicle sectors. One of the nation's first cellulosic ethanol demonstration plants, and the only one dedicated to converting both agricultural residue and bioenergy crops to fuel ethanol, is located in Vonore. Tennessee is also one of six states participating in the largest installation of electric vehicle charging infrastructure in U.S. history and the deployment of up to 5,000 Nissan electric vehicles.

It's no wonder that in 2009, the Pew Charitable Trusts named Tennessee one of only three states in the country with a large, fast-growing clean energy economy.



